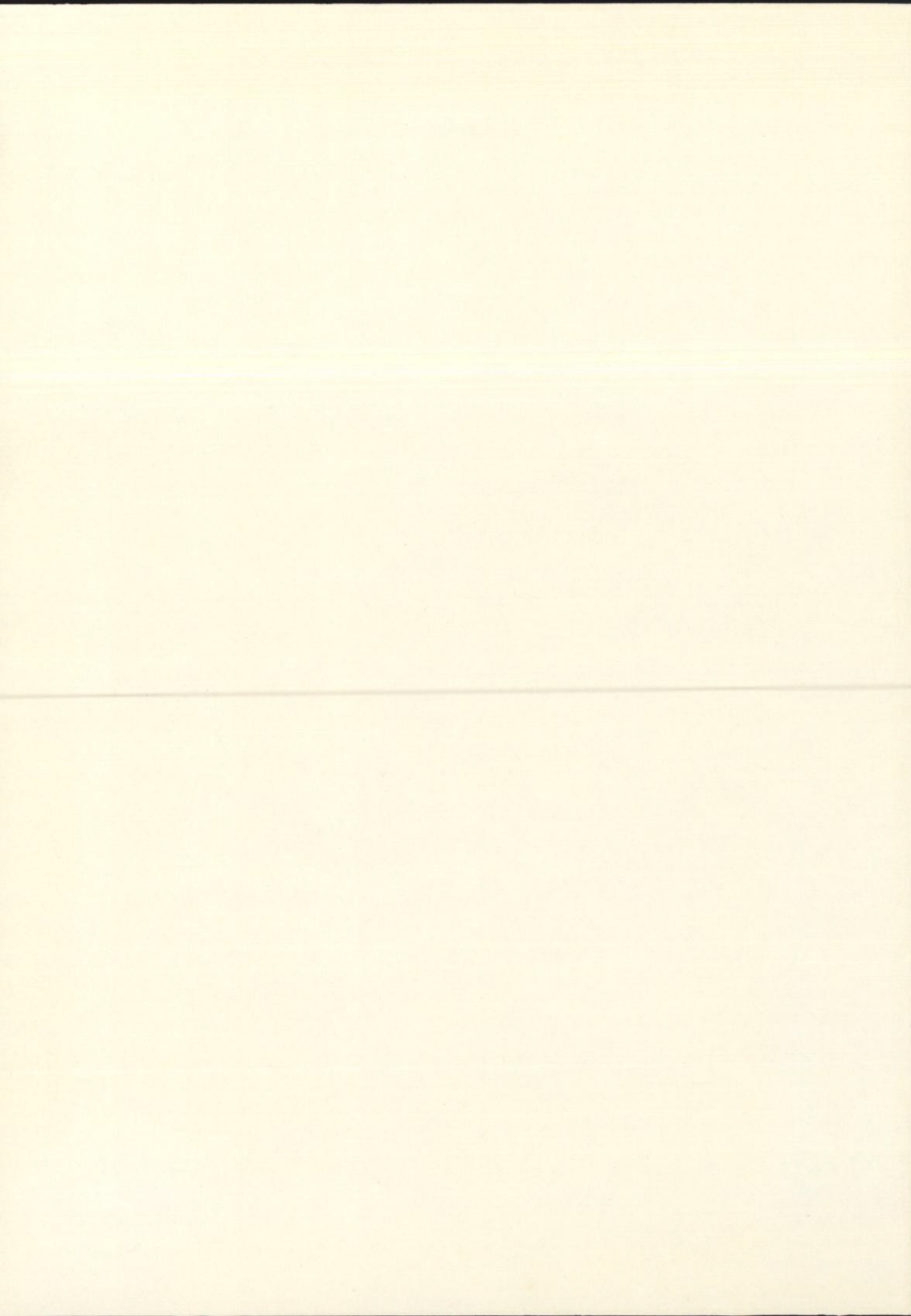


Financial Report  
OF  
GEO. A. HORMEL & COMPANY  
AUSTIN, MINNESOTA  
for the  
Fiscal Year Ended October 30, 1965



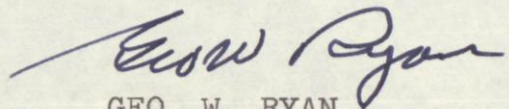
January 30, 1967

Dear Miss Hanson:

Complying with your request, we enclose herewith a copy of our annual report for the years which ended in October of 1965 and 1966.

Thank you for your interest in our company.

Yours very truly,



GEO. W. RYAN

Miss Agnes O. Hanson, Head  
Business Information Division  
Business and Technology Dept.  
Cleveland Public Library  
Cleveland, Ohio 44114

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## FIVE YEAR REVIEW

*(In thousands of dollars)*

	1965	1964	1963	1962	1961
Sales .....	\$441,600	\$411,827	\$393,740	\$384,742	\$384,145
Net Earnings .....	4,351	5,725	2,965	3,062	3,147
Wage Costs .....	78,618	79,743	74,509	73,581	71,574
Total Taxes .....	4,950	6,477	4,922	4,211	4,814
Depreciation .....	2,902	2,527	2,508	2,353	2,400
Properties (net) ..	28,248	26,988	22,376	20,663	19,345
Working Capital..	26,668	25,768	26,329	29,152	30,281
Stockholders'					
Investment .....	55,306	52,868	48,818	47,527	46,138

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<i>Sales tonnage</i>					
(million pounds)	1,200	1,272	1,171	1,093	1,094
<i>Net earnings to:</i>					
Sales .....	.99%	1.39%	.75%	.80%	.82%
<i>Sales tonnage</i>					
(cwt.) .....	36¢	45¢	25¢	28¢	29¢
<i>Per share earnings</i>					
on common stock					
(adjusted) .....	\$3.64	\$4.79	\$2.48	\$2.56	\$2.63



Austin, Minnesota  
December 6, 1965

To the Stockholders of  
Geo. A. Hormel & Company

The net earnings of the Company for the fiscal year which ended October 30, 1965, (52 weeks) were \$4,350,566, as compared to \$5,724,527 in 1964 (53 weeks) — a decrease of \$1,373,961. These earnings were \$3.64 on each share of common stock.

Dollar sales for the year, after returns and allowances, were \$441,600,314, a new high for the Company and an increase over a year ago of \$29,772,816, or 7.2%.

Sales tonnage was 1,199,907,387 pounds, a decrease of 72,587,628 pounds, or 5.7% under last year.

Net profit per dollar of sales, low as compared to other industries, was slightly under 1 cent per dollar of sales, and 36 cents per hundred-weight of product sold.

An approximate decrease of 9 per cent in the supply of hogs during the year was the primary reason for the reduction in tonnage. Higher prices on all products brought about a measurable increase in the dollar sales. At the same time, the advancing market applied continuous pressure on all phases of the operation profitwise.

The investment in capital improvements and additions during the year was \$4,241,214. After retirements and adjustments, the net addition to capital assets was \$2,807,318. Some of the improvements at Austin, Minnesota, were two new boilers in the power plant, having a production capacity of 100,000 pounds of steam per hour; new equipment and machinery for the canning of meat products in aluminum; and a substantial addition to processing facilities, which, it is hoped, will be completed by January of 1966. The SPAM canning operation at Fremont, Nebraska, has been improved and modernized, as have the sausage production facilities. Fremont also has added a number of new and modern smokehouses. At Fort Dodge, Iowa, an investment was made in our power plant to provide better refrigeration, and a continuous rendering process has been substantially completed.

Depreciation for the year was \$2,902,454.

The stockholders' investment in the Company at the end of the year was \$55,305,830, an increase of \$2,437,572 over a year ago. Dividend distributions were \$1,912,994, consisting of four quarterly dividends of 35 cents a share on each share of common stock, a total of \$1.40, and an extra dividend of 20 cents a share paid in December of 1964. The Company has paid dividends for 37 consecutive years.

Payment and provision for all taxes for the year amounted to \$4,949,687.

The sum of \$3,460,000 was provided for current and past services of the Employee Pension Trusts. This amount, together with distributions in prior years to the Profit-Sharing Trust and the Pension Trusts, makes a total of \$32,451,877 allocated to the employee retirement program. At the end of the year, the obligation of the Company for un-

funded past services under the pension plan was estimated at \$26,620,000.

The Joint Earnings amount made available to eligible employees for the year was \$730,291. Since the beginning of Joint Earnings, 27 years ago, the sum of \$27,232,614 has been provided for employees under the Plan.

Pursuant to union agreements, negotiated in 1964, following the industry pattern, a general wage increase of six cents an hour was established on September 6, 1965. In addition, a cost-of-living increase of two cents an hour became effective on January 4, 1965, and again on July 5, 1965.

For the first time in many years, the Company had current bank loans at the end of the year, amounting to \$2,160,000.

A basic national advertising program has been maintained, in addition to selected sectional advertising of principal products.

Shortly before the end of the fiscal year, the Company entered into an agreement with the ID Packing Company of Des Moines, Iowa, whereby that corporation is to slaughter and cut hogs on a custom basis for Geo. A. Hormel & Company. It is expected that the production of primal cuts and other products from approximately 750,000 hogs a year will be made available under this arrangement. Since the ID Packing Company is substantially improving and adding to its present facilities, operations are not expected to commence until June or July of 1966.

Present estimates indicate that the supply of hogs in the coming year will be down slightly, with the decline being in the first half of the year, and with probably a small increase the last quarter of next year. Cattle supplies are also expected to be down from 1965 numbers, but only slightly. Prices for both cattle and hogs are likely to continue strong and average higher than in the year just finished.

It is disturbing to note that the per capita consumption of red meat in 1965 was down approximately seven pounds per person to a level of 168-169 pounds. Most of the decrease came in the consumption of pork. A further decrease in the consumption of red meat products is anticipated in the coming year, with beef expected to be down approximately  $2\frac{1}{2}$  pounds per person to  $94\frac{1}{2}$  pounds, and pork to be down 5 pounds to 54 pounds per person.

A subsidiary was established during the year to provide for more active participation by the Company in the production and sale of institutional products. This subsidiary is called Purveyors, Inc., and is located in Minneapolis, Minnesota.

On July 19, 1965, Mr. H. H. Corey resigned as Chairman of the Board, marking an era of progressive leadership of this Company. He continues as a member of the Board of Directors and Executive and Finance Committees.

Once more, we want to express our sincere appreciation for the support, loyalty, and cooperation of our employees, our customers, our livestock producers, and our stockholders.

R. F. GRAY  
Chairman of the Board

M. B. THOMPSON  
President



GEO. A. HORM  
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Statement of Financial Position

October 30, 1965

CURRENT ASSETS

Cash .....	\$ 8,969,148	
Accounts receivable, less allowance of \$100,000 .....	19,830,119	
Inventories of products, livestock, packages and materials—at lower of cost (principally first-in, first-out) or market .....	22,476,833	
Prepaid insurance and other expenses .....	359,512	
Total Current Assets		\$51,635,612

CURRENT LIABILITIES

Notes payable to banks .....	\$ 2,160,000	
Accounts payable and accrued expenses .....	20,513,137	
Dividend payable November 15 .....	418,467	
Federal taxes on income .....	1,876,300	
Total Current Liabilities		24,967,904

WORKING CAPITAL

\$26,667,708

INVESTMENTS

In subsidiary—at underlying equity .....	\$ 277,666	
Other—at cost .....	112,500	390,166

PROPERTY, PLANT AND EQUIPMENT  
on the basis of cost

Buildings (\$25,068,660) and equipment ..	\$57,917,289	
Less allowances for depreciation .....	30,497,416	
	<u>\$27,419,873</u>	
Land .....	828,083	28,247,956

STOCKHOLDERS' INVESTMENT

\$55,305,830



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## BSIDIARY

### Statement of Stockholders' Investment

#### CAPITAL STOCK

(At October 30, 1965)

Preferred Stock, par value \$100 a share:

Authorized 50,000 shares

Issued and outstanding—none

Common Stock, par value \$7.50 a share:

Authorized 1,600,000 shares

Issued and outstanding 1,195,621 shares .. \$ 8,967,157

Additional paid-in capital ..... 1,945,088 \$10,912,245

#### EARNINGS REINVESTED IN BUSINESS

Balance November 1, 1964 ..... \$41,956,013

Net earnings for the year ..... 4,350,566

\$46,306,579

Deduct cash dividends on Common Stock—

\$1.60 a share ..... 1,912,994

Balance October 30, 1965 ..... 44,393,585

TOTAL STOCKHOLDERS' INVESTMENT \$55,305,830

# STATEMENT OF EARNINGS

*Fiscal Year Ended October 30, 1965*

SALES (less returns and allowances) .....		\$441,600,314	
Other income .....		80,834	
		<u>441,681,148</u>	
COSTS, EXPENSES AND TAXES			
((\$389,374,823 applicable to cost of products sold)			
Cost of products sold, selling, delivery, administrative and general expenses, exclusive of items shown separately .....	\$350,682,928		
Wage costs:			
Wages and salaries including joint earnings ..	\$70,315,470		
Pension trust contributions (unfunded past service cost estimated at \$26,620,000 over the next 22 years) .....	3,460,000		
Federal and state unemployment and old age contributions .....	1,703,640		
Group life, hospitalization and sick leave .....	3,138,468	78,617,578	
Provision for depreciation .....		2,902,454	
Interest .....		177,935	
Taxes:			
State income, property and other taxes .....	\$ 1,824,687		
Federal taxes on income	3,125,000	4,949,687	437,330,582
NET EARNINGS .....		<u>\$ 4,350,566</u>	



## ACCOUNTANTS' REPORT

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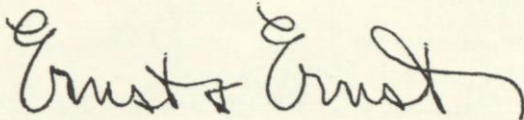
To the Stockholders and Board of Directors

Geo. A. Hormel & Company

Austin, Minnesota

We have examined the statement of financial position of Geo. A. Hormel & Company and subsidiary as of October 30, 1965 and the related statements of earnings and stockholders' investment for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements of financial position, earnings and stockholders' investment present fairly the consolidated financial position of Geo. A. Hormel & Company and subsidiary at October 30, 1965 and the consolidated results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in dark ink, appearing to read "Ernst & Ernst". The signature is fluid and cursive, with the first name "Ernst" being more prominent than the second.

Minneapolis, Minnesota

November 22, 1965

## OFFICERS

R. F. Gray	-	-	-	-	-	-	-	Chairman of the Board
M. B. Thompson	-	-	-	-	-	-	-	President
R. D. Arney	-	-	-	-	-	-	-	Executive Vice President
Heilman Allen	-	-	-	-	-	-	-	Vice President
R. J. Asp	-	-	-	-	-	-	-	Vice President
Harold Butler	-	-	-	-	-	-	-	Vice President
Bruce Corey	-	-	-	-	-	-	-	Vice President
E. H. Flitton	-	-	-	-	-	-	-	Vice President
E. J. Garrity	-	-	-	-	-	-	-	Vice President
L. D. Housewright, Jr.	-	-	-	-	-	-	-	Vice President
Geo. W. Ryan	-	-	-	-	-	-	-	Vice President and Treasurer
Fayette Sherman	-	-	-	-	-	-	-	Vice President
I. J. Holton	-	-	-	-	-	-	-	Secretary
R. F. Potach	-	-	-	-	-	-	-	Controller
R. C. Dougherty	-	-	-	-	-	-	-	Assistant Secretary
E. C. Alsaker	-	-	-	-	-	-	-	Assistant Treasurer
R. H. Biedermann	-	-	-	-	-	-	-	Assistant Controller

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## DIRECTORS

R. D. Arney								
	Harold Butler							
		Bruce Corey						
			H. H. Corey					
				R. F. Gray				
					I. J. Holton			
James C. Hormel								
	O. L. Marquesen							
		Gordon Murray						
			Geo. W. Ryan					
				Fayette Sherman				
					M. B. Thompson			



